

PRELIMINARY REPORT OF THE AGRICULTURAL
CONFERENCE

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A PRELIMINARY REPORT OF THE AGRICULTURAL CONFERENCE
ON AGRICULTURAL LEGISLATION

JANUARY 26 (calendar day, JANUARY 28), 1925.—Read; referred to the Committee on Agriculture and Forestry, and ordered to be printed

To the Congress of the United States:

Transmitted herewith is a preliminary report of the agricultural conference. It embraces such recommendations as the conference wishes to make at this time. I am advised that while it does not refer to some legislation which is already pending, that the conference reserves the privilege of making further suggestions at some future time. As I have great confidence in the personnel of the conference, and know that they are representative of a very large part of agriculture, and that they have given very thoughtful study to the entire situation, I recommend that their report be embraced in suitable legislation at the earliest possible date.

CALVIN COOLIDGE.

THE WHITE HOUSE, *January 28, 1925.*

REPORT TO THE PRESIDENT BY THE AGRICULTURAL CONFERENCE ON
AGRICULTURAL LEGISLATION FOR SUBMISSION TO THE SIXTY-
EIGHTH CONGRESS

The President's agricultural conference herewith submits its recommendations for agricultural legislation to be considered at the present session of Congress. The conference has considered all of the legislation now pending before the Congress and also has canvassed the

field in discussion with the various departments of the Government and with representatives of the agricultural interests of the country.

Agriculture is the most important industry of America. Its complex, widespread and highly technical problems do not lend themselves to any one remedy or any specific piece of legislation through which there may be found complete cure for its many ills. The problems of agriculture, like the problems of industry, will require constant attention from many points of view and a continuing effort to establish and maintain stability and prosperity. Agriculture is entitled to the same measure of consideration and the same degree of benefits that are received by industry and, therefore, needs continuing constructive and sympathetic leadership in the administration of governmental departments as they affect the farmers' interests, and it also needs, from time to time, the type of legislation which already has been described.

In the field of legislation it is important that not only specific problems of the farmers should be solved but also, in general, that there should be given to the American farmer through the application of the protective tariff system the full benefits of American markets. The American farmer can neither compete with imported agricultural products, created through cheap foreign labor and lower standards of living, nor can he compete in foreign markets for the sale of his products at world price levels created by supply and demand arising out of foreign productive standards and foreign buying power. Any form of legislation or plan that tends toward a stimulation of production of any particular commodity for export will result in even further ill balance to our agriculture, and, therefore, continued subjection of American farmers to competition with production based on lower standards of living abroad. There must, therefore, be established a balanced American agriculture by which production is kept in step with the demand of domestic markets and with only such foreign markets as may be profitable. The conference is convinced that this can be done without disproportionate charge upon the American consumer and without the necessity of dislocating the present adjustment involved between the wage scale of the country and the cost of living.

The conference, therefore, makes the following recommendations for consideration by the present Congress:

COOPERATIVE MARKETING LEGISLATION

In considering the legislation now pending before Congress dealing with the cooperative marketing of farm products, the conference finds very many desirable points embodied in several of the proposed bills. Yet no bill presents a completely satisfactory program. Consequently, the conference desires to present the principles which, in its opinion, should be embodied in legislation for passage by the present Congress.

In its discussions with representatives of all departments of the Government on matters affecting agricultural legislation there has been complete unity of support for certain principles which also have the unanimous approval of this conference. These principles have to do with the solution of that portion of the agricultural problem arising out of the development of commodity marketing organizations and

the stability which may be brought to agriculture through wider recognition of the need for such organizations, and greater confidence in their ability to meet the farmers' problems in much the same manner as industrial problems are solved.

It is the opinion of the conference that the time has arrived to give due emphasis to the fact that the present problems of agriculture rest upon the ability of the farmer to market his goods at a profit, and that constructive assistance to such problems may be found through the development of producers' marketing organizations creating the opportunity for orderly distribution, economies in operation, and adherence to approved standards and grades. As a result of the proper type of cooperative organization it may be expected that commodities so organized will find opportunity for the creation of programs of orderly production, finance and marketing, the development of adequate standards, the creation of economies in distribution, with larger consequent return to the producers. It is also of vital importance that leadership should be developed in the different commodity groups for the proper and intelligent application of the principles which agriculture must be granted, whether in the field of production, distribution, tariff, transportation, or otherwise.

Finally, it is the purpose of the proposed plan to allow cooperatives a freedom to develop without governmental interference or domination except for the very proper police powers lodged with the Secretary of Agriculture under the Capper-Volstead Act. It is clear, however, that leadership and assistance through the authority of the Government is essential and that greater impulses for the developing of marketing associations will result from a fostering attitude on the part of a Federal agency. The purposes of this plan are to create opportunities for group as well as individual action, based upon the voluntary action of all parties concerned. Legislation on the following lines is therefore recommended:

A. General principles, to be applied upon voluntary action by commodity marketing organizations, producers, and distributors:

1. For the purpose of promoting equitable and advantageous distribution and disposition of their products, cooperative marketing associations or any of them may pool their products, exchange crop and market information, and make and carry out orderly production and marketing programs; and for such purposes producers and distributors of such products may cooperate with such associations.

2. Groups of producers desiring to organize cooperative organizations should be given opportunity for application to the Government to make a survey of the distributing problems involving any commodity, and the Federal agency should make recommendation to the applicants concerning the type of organization best suited to their problem, based upon the demonstration of success among other cooperatives or upon other business principles.

3. Commodity marketing organizations upon application to the proper Federal agency and purely as a voluntary act may apply for and be Federally registered upon demonstration of the soundness of financial standing of the organization and an agreement to submit their books to Federal inspection for audit semiannually. This step is proposed for two purposes. First, it gives greater confidence to members in the management and operation of their organizations by supplying them with reliable information from a Government source—information which is comparable to that given from time to time by

State or Federal bank examiners to depositors about the condition of banks. Second, from such a system uniform general accounting principles will be gradually developed among cooperative commodity organizations by voluntary action. Furthermore, these organizations should agree that in the merchandizing of their product they will conform to approved standards.

4. The establishment of grades and standards for various agricultural products of the country is essential. In many lines such standards already are established by State or Federal law, and such standards should receive full recognition in all trade dealings, both domestic and foreign, and should be made the basis of settlement of all disputes. In certain cases standards do not conform to the best interests of the producers, and they should have opportunity to make recommendations as to amendments in existing standards. In many cases there are no standards, and in such an event opportunity should be given to establish standards and grades from time to time upon recommendation to Federal authority by producers who represent at least 60 per cent of the product of the industry.

5. Upon application to the Federal agency distributors at terminal markets may create Federally registered exchanges or associations, the members of which shall operate under rules and regulations formulated by them and approved by the Federal authority creating the charter. These rules and regulations shall, among other things, call for recognition of all established grades and standards of agricultural products and arbitration of all disputes under such grades and standards, the guaranty of financial standing of members, and the opening of the accounts of the exchange or association to Federal inspection and audit.

6. Upon application to the Federal agency by an agricultural industry through its cooperative organization the Federal agency should consider and advise upon the problems confronting the industry in any phases of production, financing or marketing, or upon any other matter which such an agricultural industry may make application for guidance. The Federal agency may call upon any department of the Government for the necessary study of special problems, the furnishing of statistics, or other appropriate action, and should, in conference with the industry, formulate practical solutions for the various problems that may be presented.

B. Principles applicable especially to perishables: The great perishable industry of the country representing the producers of vegetables, fruits, and grapes is at the present time faced with many great problems. For the most part this industry represents an unorganized group of producers searching for opportunity to solve their problems of distribution through contact with their terminal markets. For such purpose, in addition to those mentioned above, the following is recommended:

Cooperative marketing organizations upon application to Federal authority may have the right to create clearing houses, for the purpose of eliminating the oversupply or undersupply in various consuming markets without interference with the restraint of trade laws. Such clearing houses should have the right to freely interchange information upon the volume of the available supplies of their commodity.

C. Federal agency under which such an act is to be administered.

Differences of opinion have appeared among the various Government agencies in their recommendation as to the nature of Federal authority which should administer the principles herewith presented. These differences have been taken into account in the recommendation of the conference. Furthermore, for the proper development of cooperative marketing organizations it is quite apparent that there is need for a central unit which would make available to producers all facilities now in existence and those which might be brought about relating to the different phases of cooperative marketing. Such a unit would act as a coordinating agency, and producers' organizations could get in touch with it directly for any help or assistance they might legitimately seek. The conference concludes, therefore, that in the administration of the various principles herein outlined there should be instituted a separate board, as is now the case in industry and banking. This board would be able to use all the facilities of all Government departments and interlock all the problems of agriculture, both those of production with those of distribution.

The board, as far as the majority of membership is concerned, should arise from the commodity organizations themselves by nomination to the President. There should be created a Federal cooperative marketing board of five members, two members to be the Secretary of Agriculture and the Secretary of Commerce, and three others, including a chairman to be appointed by the President, to be nominated by the federally registered cooperative marketing organizations upon the expiration of the terms of the three members first to be appointed by the President. The salaries of the three appointed members should be \$12,000 a year. They would serve terms of one, two, and three years, respectively, with succeeding members to serve terms of six years each. For the purposes of establishing the board and of carrying on its first year of operation, the sum of \$500,000 should be appropriated.

AMENDMENTS TO THE AGRICULTURAL CREDITS ACT

The proposal to amend the law so as to make national agricultural credit corporations eligible to rediscount with the Federal intermediate credit banks involves a simple but none the less potentially important change in the present structure of livestock finance.

To understand this, it is necessary to remember that the act creating the Federal intermediate credit banks also authorized the formation of national agricultural credit corporations under Federal charter and under Federal banking supervision.

The law authorizing these national agricultural credit corporations provides, first, for a minimum capital adequate to permit the employment at proper compensation of really competent management; second, for a reasonable regulation of the total amount of loans to be made by any one company, with relation to capital and surplus; third, a reasonable regulation concerning the amount that might be loaned to any one borrower with relation to the capital and surplus; and fourth, for proper examinations of the loan company in the same way that national banks are now examined from time to time.

In addition, the members of the Federal reserve system are authorized to subscribe to the capital stock of such companies to the extent of not over 10 per cent of the capital and surplus of such banks.

The latter provision holds out the definite hope that, if the national agricultural credit corporations are made eligible to rediscount with the Federal intermediate credit banks, it may be possible to organize in the livestock territory an adequate number of properly capitalized loan companies. Banking groups interested in serving their locality may thus easily provide loan companies to take care of the breeding end of the livestock industry in a way and by organizations suited to the special needs of the industry.

This amendment should encourage the formation of an adequate number of soundly organized, adequately capitalized, and properly managed loan companies operating under Federal supervision. Taken in combination with the ample rediscount resources of the Federal intermediate credit banks, which would become available through the proposed amendment, the breeding end of the livestock industry may be expected to see itself in possession of ample credit through sound institutions.

Nothing in the proposed amendment restricts the organization and operation of loan companies under State charters, nor is there proposed any restriction of the power of the intermediate credit banks to rediscount for such State organizations.

To effect this the conference recommends the following:

Amend paragraph 1, section 202, by inserting after the word "State" in the fifth line thereof, the words "or of the Government of the United States," so that the paragraph as amended will read:

To discount for, or purchase from, any national bank, and/or any State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, cooperative bank, cooperative credit or marketing association of agricultural producers, organized under the laws of any State, or of the Government of the United States, and/or any other Federal intermediate credit bank, with its indorsement, any note, draft, bill of exchange, debenture, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose or for the raising, breeding, fattening, or marketing of livestock.

It is furthermore recommended that the Farm Loan Board be asked to take supervision of this matter in presenting it to Congress in the appropriate and practical manner.

FREIGHT RATE LEGISLATION

In the first report of the conference the following statement was made:

By reason of the horizontal changes in freight rates during recent years and of greater depression of agricultural products than those of other products during the same period, the raw products of agriculture are now bearing a relatively excessive cost for transportation. * * * The conference does wish to emphasize at this time its conviction that while adequate service is essential, the welfare of agriculture also demands an early and thorough revision of the freight-rate structure to relieve the raw products of agriculture and livestock from their disproportionate share of transportation costs.

It was stated further that the conference would announce its recommendations concerning transportation service and costs for agricultural products in a subsequent report. In line with this plan the conference at this time wishes to recommend the passage of House Joint Resolution 94, "Directing the Interstate Commerce Commission to take action relative to adjustments in the railroad freight-rate structure and the fixing of rates and charges," feeling that it will make possible an equitable and just readjustment of

freight rates as they relate to agricultural commodities, including livestock.

The Interstate Commerce Commission should realize that immediate and definite action is necessary if the resolution is adopted and the appropriation to carry it out should be provided by Congress. In case the resolution is passed it is recommended that the Interstate Commerce Commission make a report of progress to the President at the opening session of the Sixty-ninth Congress.

UNAPPROPRIATED PUBLIC DOMAIN

The conference reiterates its recommendation contained in the preliminary report that the unappropriated public domain should be placed under lease and that there should be a uniform policy agreed upon for the administration of grazing on public lands and in the national forests. In order to determine the administration, rules, regulations and fees governing grazing the conference further suggests the appointment of a committee created essentially as follows: (a) One member who shall be the Secretary of Agriculture or his representative; (b) one member who shall be the Secretary of the Interior or his representative; and (c) three members, two of whom shall represent the livestock grazing industry, appointed by the Secretaries of Agriculture and the Interior acting jointly.

In order to provide legal authority for leasing unreserved and unappropriated public domain, the conference approves and recommends passage of a bill which carries approval of the Departments of the Interior and Agriculture.

TARIFF ON AGRICULTURAL PRODUCTS

In supplementing the opening statements in this report and reiterating the report of the conference on the livestock situation, in which it was stated that the cattle industry is suffering through lack of tariff protection from competition with hides and meats from foreign countries, it is the feeling of the conference that other agricultural enterprises are suffering from lack of proper tariff protection.

In this connection there should be mentioned protection for the dairy and animal industries through tariff on such oil-bearing commodities as copra and a number of vegetable oils not named in the present tariff act, which are coming into competition with all home-produced oil-bearing products, whether of plant or animal origin. Certain phases of the dried-fruit industry also must have increased protection.

While the conference is not making specific recommendations at this time relative to tariff legislation, it nevertheless wishes to be understood as sympathetically recognizing the need of protecting our various agricultural commodities by adequate tariffs on foreign products that come into competition with them.

FEDERAL AID FOR STATE EXPERIMENT STATIONS

The Federal Government has established a great fact-finding agency for agriculture consisting in part of the research work of the United States Department of Agriculture and in part of the State agricultural experiment stations. The latter are located in each of the States in order that there may be "due regard to the varying needs of agriculture" in the various parts of the country and that they may

be in close contact with the agricultural teaching agencies of the several States. There has been no increase in Federal appropriations to these stations since 1909, during which time the purchasing power of money has declined so that these funds will now support much less research work than when they were first provided. Further, at the time these funds were appropriated, their use was limited to the study of problems of production which were then the major problems of agriculture. None of the Federal funds for the support of the State experiment stations can be used for work in agricultural economics, rural social problems or home economics, which are now such all-important parts of agricultural business and farm life.

It is of utmost importance that knowledge concerning the business and social aspects of agriculture keep pace with that concerning its production problems if a well-balanced agricultural program is to be maintained. Hence, the fact-finding research agencies for agriculture should now be given financial support to permit them to take up this new field of investigations. H. R. 157 authorizes Congress to make additional appropriations for this purpose under conditions and limitations which the experience of nearly 40 years show to be sound and practical to meet the desired end.

The conference therefore recommends the passage of H. R. 157, to authorize Congress to provide increased Federal aid for research in agricultural economics, rural sociology and home economics at the State agricultural experiment stations, and suggests that the sums to be appropriated to each station in compliance with the act be fixed at \$20,000 for the year ending June 30, 1926; \$30,000 for the year ending June 30, 1927; \$40,000 for the year ending June 30, 1928; \$50,000 for the year ending June 30, 1929; and \$60,000 annually thereafter.

TRUTH IN FABRICS

The conference is in favor of legislation which requires that specific statements be placed on all woven fabrics and on garments made from fabrics purporting to contain wool, indicating the percentages of virgin wool, shoddy, cotton, and silk of which they are made.

MEXICAN CATTLE DUTY

The conference recommends passage of House Joint Resolution 300, providing for a year's extension of time during which cattle may be returned from Mexico free of duty.

MARKET NEWS SERVICE

The conference recommends passage of the Agricultural appropriation bill including the maximum amount for Market News Service. Respectfully submitted.

ROBERT D. CAREY, *Chairman.*
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